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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 WI-LAN INC.,

12 Plaintiff,

13 v.

14 RESEARCH IN MOTION CORPORATION;
15 RESEARCH IN MOTION LTD.; MOTOROLA,
16 INC.; UTSTARCOM, INC.; LG ELECTRONICS
17 MOBILE COMM U.S.A.; AND LG
18 ELECTRONICS, INC.,

19 Defendants.

Civil No. 10cv859-W (CAB)

**ORDER: (1) DENYING WI-LAN INC.'S
MOTION TO COMPEL; AND (2)
GRANTING IN PART AND DENYING IN
PART QUALCOMM, INCORPORATED'S
MOTION TO QUASH AND FOR
PROTECTIVE ORDER**

[Doc. Nos. 9 and 10.]

20 Before the Court are cross-motions regarding the production of discovery in response to a
21 subpoena served by Wi-LAN Inc. ("Wi-LAN"), the plaintiff in a patent infringement lawsuit pending in
22 the U.S. District Court for the Eastern District of Texas, No. 08-Civ-247 ("Texas Action"), on
23 Qualcomm Incorporated ("Qualcomm"), a non-party to the Texas Action. Wi-LAN moves the Court for
24 an order compelling Qualcomm to produce license agreements and business records required by the
25 subpoena issued from this District. (Doc. No. 10.) Qualcomm moves to quash the subpoena and
26 requests a protective order. (Doc. No. 9.) The motions were briefed in accordance with the Court's
27 Scheduling Orders. (Doc. Nos. 8 and 19.) Oral argument was held on July 20, 2010. John C. Briody,
28 Esq., appeared for Wi-LAN. David Dolkas, Esq., appeared for Qualcomm. Having considered the

1 submissions of the parties, and the arguments of counsel, Wi-LAN's Motion to Compel is **DENIED**;
2 Qualcomm's Motion to Quash and for a Protective Order is **GRANTED in Part and DENIED in Part**.

3 **I. BACKGROUND**

4 Wi-LAN holds a portfolio of patents in wireless and related technologies. Wi-LAN does not
5 presently make or sell any products, but generates its revenue by developing and licensing its
6 intellectual property rights. (Doc. No. 9-6.) Wi-LAN is the plaintiff in the Texas Action against
7 Motorola, Inc., LG Electronics, and UTStarcom, Inc., alleging infringement of two of Wi-LAN's
8 patents: U.S. Patent No. RE 37,802 ("the '802 patent") and U.S. Patent No. 5,282,222 ("the '222
9 patent").¹ Wi-LAN represents that the '802 patent is directed to CDMA technology that enables high
10 speed data transmission in handsets over cellular networks. (Doc. No. 10-1 at 4.) The defendants in the
11 Texas Action are accused of infringing this patent by making, selling, using or importing "mobile
12 handsets and/or other products compliant with the CDMA2000 standard and/or the 802.11 standards that
13 fall within the scope of at least one claim of the '802 patent." (Texas Complaint, ¶¶ 14, 16 and 18.) Wi-
14 LAN also represents that the '222 patent is directed to OFDM technology that allows for high speed
15 data transmission in handsets over the internet through wireless data networks. (Doc. No. 10-1 at 4.)
16 The defendants in the Texas Action are accused of infringing this patent by making, selling, using or
17 importing "mobile handsets and/or other products compliant with the 802.11 standards that fall within
18 the scope of at least one claim of the '222 patent." (Texas Complaint, ¶¶ 15, 17 and 19.)

19 As a licensor of its patented technology, Wi-LAN seeks a reasonable royalty as compensatory
20 damages from the defendants in the Texas Action for the alleged infringement of the '802 patent and the
21 '222 patent.

22 Defendant Motorola alleges, by way of its counterclaim, that Wi-LAN is a member of the
23 Institute of Electrical and Electronics Engineers ("IEEE"), a standards setting body, and was a

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28 ¹Wi-LAN's Third Amended Complaint ("Texas Complaint"), attached as Exhibit B to the
Declaration of Laura Handley, Doc. No. 1-2, at B62-69.

1 participant in the standards setting process for the OFDM standard 802.11.² Motorola further alleges
2 that if its accused products that are compliant with the 802.11 standard infringe one or more of Wi-
3 LAN's claims, Wi-LAN is obligated to offer licenses to the '802 patent and the '222 patent on fair,
4 reasonable and non-discriminatory terms ("the RAND commitment"). Motorola contends that Wi-LAN
5 is asserting its patents and demanding excessive royalties and injunctive relief in bad faith and violation
6 of its RAND commitment to the IEEE and its members. (Motorola Counterclaim, ¶¶ 72-137.) Wi-LAN
7 contends that the licensing terms it seeks from defendants in the Texas Action do not violate any RAND
8 commitment.

9 **A. Qualcomm's Relationship to the Texas Action**

10 Qualcomm is an industry leader in the development of CDMA and related technologies,
11 employing over 16,000 people internationally.³ Qualcomm develops and supplies CDMA-based
12 integrated circuits and system software for wireless voice and data communication, multimedia
13 functions and global positioning system products. (Lupin Declaration, ¶ 4.) Qualcomm's patent
14 portfolio includes patents and patent applications filed globally, with approximately 12,600 U.S. patents
15 and applications and approximately 59,000 foreign granted patents and applications. Qualcomm
16 receives license fees as well as ongoing royalties based on worldwide sales by licensees of products
17 incorporating or using Qualcomm's intellectual property under individualized license terms. (*Id.*, ¶ 5.)
18 Qualcomm has approximately 175 licensees to its patent portfolio. (*Id.*, ¶ 6.) There is no standard license
19 agreement for the Qualcomm patent portfolio. Standard draft agreements are used as a starting point for
20 negotiations and are adapted depending on the scope of the license sought with regard to both products
21 covered and rights granted, and may include cross license rights to other entities' patents. (*Id.*, ¶ 18.)
22 All licensing negotiations and the terms of any particular license are subject to nondisclosure
23 agreements and confidentiality provisions. (*Id.*, ¶ 9.)

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26 ²Motorola's First Amended Answer, Affirmative Defenses, and Counterclaims to Wi-
27 LAN, Inc.'s Third Amended Complaint ("Motorola Counterclaim"), attached as Exhibit 12 to the
28 Declaration of John Briody, Doc. No. 16-1 at 212-226.

³Declaration of Louis M. Lupin ("Lupin Declaration"), Doc. 9-11 at ¶¶ 3-4.

1 Qualcomm is not a party to the Texas Action. The defendants in the Texas Action are
2 Qualcomm licensees. (*Id.*, ¶¶ 15, 16 and 17.) The defendants use Qualcomm CDMA chips in their
3 products accused of infringement. Wi-LAN claims that the technology in the Qualcomm CDMA
4 chipsets, which are CDMA standard compliant, satisfies essential claim elements or limitations in Wi-
5 LAN's asserted patent claims. (Doc. No. 15 at 1.) Under a protective order, Qualcomm produced
6 source code for its CDMA chips in response to a previous subpoena served by Wi-LAN in the Texas
7 Action.

8 **B. The Issue Before the Court**

9 Wi-LAN now seeks discovery from Qualcomm for the preparation of its compensatory damage
10 claims in the Texas Action and also to respond to Motorola's counterclaim that Wi-LAN is in violation
11 of its RAND commitment. On April 16, 2010,⁴ Wi-LAN served a subpoena on Qualcomm for
12 production of (1) Qualcomm's license agreements relating to its CDMA technologies and its OFDM
13 technologies; (2) all license agreements between Qualcomm and Mediatek; (3) documents related to the
14 negotiation of the license agreements; (4) documents related to Qualcomm's licensing practices; and (5)
15 documents relating to Qualcomm's statement that a licensee's customers do not receive rights to any of
16 Qualcomm's patents.⁵ Qualcomm served timely objections to the subpoena, including objections based
17 on relevancy, burden and confidentiality. (Doc. No. 9-7.) The parties attempted to negotiate the scope
18 of the subpoena, but those negotiations failed. Wi-LAN therefore moved to compel production in
19 response to the subpoena, somewhat modified, specifically requesting (1) all Qualcomm license
20 agreements for CDMA and OFDM technology; (2) the license agreements between Qualcomm and third
21 parties whose technology is included as part of Qualcomm's CDMA and OFDM standard licenses; and
22 (3) the negotiation correspondence related to those licenses. (Doc. No. 10-1 at 8.) Contending this
23 would require the production of approximately 175 confidential agreements and the review of millions
24 of pages of documents, Qualcomm moved to quash the subpoena.

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27 ⁴An amended subpoena was served on May 5, 2010, but the scope of the requests was
28 unchanged.

⁵Exhibit 1 to the Declaration of Dave Dolkas, Doc. No. 9-3.

II. LEGAL STANDARD

Wi-LAN's subpoena for the production of documents was served on Qualcomm pursuant to FED. R. CIV. P. 45(a)(1)(D)(2)(C). The general rules of discovery apply to subpoenas issued under Rule 45, including FED. R. CIV. P. 26(b)(1) that provides "parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party." The court, however, may limit discovery if the burden and expense of the proposed discovery outweighs its likely benefit. FED. R. CIV. P. 26(b)(2).

In this case, Qualcomm objected to Wi-LAN's subpoena in accordance with FED. R. CIV. P. 45(c)(2)(B). Having received timely objections, Wi-LAN moved for an order compelling the production and has burden to show appropriateness of the subpoena served on Qualcomm, a non-party. FED. R. CIV. P. 45(c)(2)(B)(i); *see also In re Natural Gas Commodity Litigation*, 235 F.R.D. 199, 208 (S.D.N.Y. 2005). Where discovery is sought from a non-party, the Court should be particularly sensitive to weighing the probative value of the information sought against the burden of the production on the non-party. *Id.*

In addition to opposing Wi-LAN's motion to compel, Qualcomm moved to quash the subpoena pursuant to FED. R. CIV. P. 45(c)(3)(A) on the basis of undue burden and Rule 45(c)(3)(B) because it requires disclosure of confidential information.⁶ The determination of a subpoena's reasonableness requires a court to balance interests served by complying with the subpoena against the interest served by quashing it. Determinations of whether subjecting a non-party to a subpoena would pose an undue burden are committed to the discretion of the court. *See Jones v. Hirschfeld*, 219 F.R.D. 71, 74 (S.D.N.Y. 2003).

III. DISCUSSION

In the Texas Action, Wi-LAN will seek to establish a reasonable royalty for the use of its patents.⁷ A reasonable royalty results from a hypothetical negotiation between a willing licensor and a willing licensee taking place when the infringement first began. *See ResQNet.com, Inc. v. Lansa, Inc.*,

⁶Qualcomm also moves for a protective order.

⁷Presumably Wi-LAN does not have, or is not relying upon, an established royalty as compensatory damages for the infringement of its inventions.

594 F.3d 860, 868 (Fed. Cir. 2010). “A comprehensive (but unprioritized and often overlapping) list of relevant factors for a reasonable royalty calculation appears in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970).” *Id.* at 869.⁸

Wi-LAN seeks Qualcomm’s CDMA and OFDM licensing agreements asserting that they are probative of a reasonable royalty rate for the use of Wi-LAN’s ‘802 patent and ‘222 patent because Qualcomm’s licenses reveal what the industry pays for these technologies. (Doc. No. 10-1 at 2, 9.) Citing specifically factors 2, 12 and 15 of the *Georgia-Pacific* factors, Wi-LAN represents that Qualcomm’s licenses are relevant to show rates paid by licensees for the use of other patents comparable to Wi-LAN’s patents (factor 2); to show customary rates in the industry for the use of analogous inventions (factor 12); and to show rates upon which a licensor and licensee would have reasonably and voluntarily agreed (factor 15). (*Id.* at 10.) Wi-LAN contends that Qualcomm should be compelled to produce its CDMA license agreements because they reflect actual royalties being paid for CDMA technologies, including Wi-LAN’s technology at issue in the Texas Action, and its OFDM license agreements because they reflect royalties paid for technology comparable to Wi-LAN’s OFDM technology. (*Id.* at 10-11.)

Qualcomm objects to Wi-LAN’s request arguing that its licenses and technology are not comparable to what is being asserted in the Texas Action. Qualcomm’s licenses are relevant to what Qualcomm receives for its CDMA and OFDM patent portfolios, but Qualcomm contends that does not make them relevant to what Wi-LAN should receive for its two patents at issue in the Texas Action.

A. Qualcomm’s CDMA Related Licenses and their Negotiation Histories

Defendants in the Texas Action are CDMA licensees of Qualcomm. With respect to the *Georgia-Pacific* factors cited by Wi-LAN, the defendants’ licenses with Qualcomm for Qualcomm’s CDMA technology may be relevant to the determination of what the defendants would reasonably have paid Wi-LAN to practice the CDMA patent at issue in the Texas Action. The defendants use CDMA compliant Qualcomm chipsets in their accused products. They have licenses to Qualcomm’s CDMA patents in relationship, at least in part, to the use of the Qualcomm chipsets in their products. Wi-LAN

⁸ These 15 factors are commonly referred to as the “*Georgia-Pacific*” factors.

1 contends that those chipsets satisfy certain of the claim limitations at issue. The relationship of the
2 Qualcomm CDMA licenses with the defendants to a reasonable royalty for Wi-LAN's '802 patent is,
3 therefore, arguable. To the extent these licenses encompass more than the infringed claims however
4 (i.e., provide for patent rights or cover products unrelated to the patent rights and products at issue in the
5 Texas Action), they may not be probative of the value of the Wi-LAN patented invention. *ResQNet*,
6 594 F.3d at 869 (evidence unrelated to claimed invention does not support compensation for
7 infringement). On balance, the potential probative value of the Qualcomm CDMA licenses with the
8 party-defendants is not outweighed by the burden of production, and for purposes of discovery, they
9 should be produced. It is the Court's understanding that the Qualcomm CDMA licenses with LG
10 Electronics and UTStarcom have been produced and that Qualcomm does not object to the production of
11 its license with Motorola. Consequently, Wi-LAN's motion to compel with regard to these license
12 agreements is moot.

13 The objection to the production of Qualcomm's CDMA licenses with regard to all its other non-
14 party licensees based on relevance is stronger. The Federal Circuit, in *ResQNet*, recently admonished
15 trial courts that damages evidence must be carefully tied "to the claimed invention's footprint in the
16 market place" and courts should not rely upon license agreements that are "radically different from the
17 hypothetical agreement under consideration." *ResQNet*, 594 F.3d at 869, citing *Lucent Tech., Inc. v.*
18 *Gateway*, 580 F.3d 1301, 1327-28 (Fed. Cir. 2009). Qualcomm has demonstrated that: (1) it has no
19 standard CDMA license agreement; (2) each of its agreements are heavily negotiated based on the
20 numerous factors including the scope of the rights sought and products covered; and (3) its portfolio is
21 extensive and global and its rates reflect the size, coverage and importance of Qualcomm's world-wide
22 patent portfolio and its stature in the wireless industry. (Lupin Declaration, ¶¶ 5-8, 18-20.) Qualcomm
23 contends that the provisions and rates set forth in its CDMA agreements cannot be used for any sort of
24 comparative purpose to support what a willing licensee would pay Wi-LAN for its CDMA patent and
25 are irrelevant to Wi-LAN's hypothetical negotiation analysis. (Doc. No. 9-1 at 4.)

26 Wi-LAN does not disagree with Qualcomm's assessment of its leadership position or the scope
27 of its patent portfolio. At the hearing on the motion, Wi-LAN argued that the Qualcomm licenses would
28 give "context" and provide a "reference point" for Wi-LAN's hypothetical negotiation position.

1 Wi-LAN suggested that the Qualcomm licenses demonstrate an accepted rate for the licensing of
2 CDMA technology, a platform from which Wi-LAN would present the reasonableness of its relative
3 position. In so arguing, Wi-LAN acknowledged, at least tacitly, that licenses to the Qualcomm CDMA
4 patent portfolio are not comparable to a license for the Wi-LAN '802 CDMA patent. There was no
5 evidence that the numerous, global patents included in the Qualcomm licenses are analogous or
6 comparable inventions to the Wi-LAN patent at issue, other than Wi-LAN's generic statement that they
7 are for CDMA technology. Nor was there a showing that the scope of these CDMA licenses with a 150
8 or more non-party licensees, and the products and services covered by these agreements, are comparable
9 or analogous to the scope of the devices accused of infringement in the Texas Action. Based on the
10 record before the Court, Qualcomm's licenses for its CDMA patents with non-parties to the Texas
11 Action have extremely little, if any, relevance to Wi-LAN's hypothetical negotiation for its CDMA
12 patent with the defendants in the Texas Action.

13 As to the burden on Qualcomm of producing the responsive documents, although the requested
14 production is optimistically characterized by Wi-LAN as a "narrow class of business contracts" that
15 should be readily accessible and involve few individuals (Doc. No. 10-1 at 12-13), the evidence
16 presented by Qualcomm demonstrated that production of these licenses and their negotiation histories
17 would be extremely burdensome. The responsive production would span 20 years of licensing and
18 encompass the review of millions of pages of paper and electronic documents, many of which are in
19 storage. The agreements have long histories, and in some cases multiple amendments spanning years of
20 on-going negotiations. Some licenses are the result of extensive litigation, and their negotiation
21 histories involve confidential litigation strategy discussions. A large number of individuals would be
22 involved in the search and production both within Qualcomm and from outside counsel who assisted in
23 license negotiations. (Lupin Declaration, ¶ 10-14.) Additionally, since the agreements are not standard,
24 but each has its own scope and history, it can be further anticipated that additional discovery, in the form
25 of depositions, will be sought to interpret and appreciate the scope and context of each agreement,
26 resulting in further burden to Qualcomm, a non-party.

27 Moreover, the requested agreements are the subject of nondisclosure and confidentiality
28 provisions, which would require notice to be given to the non-party licensees prior to production to

1 afford those entities an opportunity to present objections to the production. (*Id.*, ¶ 9.)

2 Weighing the probative value of the Qualcomm CDMA licenses and sub-licenses and their
3 negotiation histories in the Texas Action against the burden of the production on the non-party, Wi-
4 LAN's motion to compel is **DENIED** and Qualcomm's motion to quash is **GRANTED**.

5 **B. Qualcomm's OFDM Related Licenses and their Negotiation Histories**

6 Wi-LAN has requested Qualcomm's license agreements for its OFDM technology because they
7 reflect royalties paid for technology comparable to Wi-LAN's OFDM technology. (Doc. No. 10-1 at
8 11.) Wi-LAN accuses the defendants in the Texas Action of infringing its '222 patent, directed to
9 OFDM technology by making, selling, using or importing mobile handsets and/or other products
10 compliant with the 802.11 standards. (Texas Complaint, ¶¶ 15, 17 and 19.) The 802.11 standards refer
11 to a set of standards for carrying out wireless local network communications or what is commonly
12 referred to as Wi-Fi.⁹ Wi-Fi relates to a local very short-range wireless network (for example, within a
13 building or selected rooms of a building). (Lupin Supp. Decl., ¶ 2.) Qualcomm has no active license
14 agreements pertaining only to the 802.11 standards. (*Id.*, ¶ 3.)

15 Qualcomm's OFDM license agreements are not for the 802.11 standards, but relate to standards
16 directed to wide area cellular telephone communications, which have far larger boundaries set by the
17 particular service radius of the operator more akin to a cellular network. (*Id.*, ¶ 2.) These standards
18 have not been widely-activated by cellular carriers. They are the LTE standard promulgated under a
19 project operating under the name European Telecommunications Standards Institute ("ETSI") and
20 WiMAX, standardized by the IEEE working group 802.16. (Doc. No. 21 at 2.) Qualcomm owns a
21 substantial patent portfolio related to the 802.16 and LTE standards, with over 21,000 world-wide
22 pending patent applications and patents. By entering into an OFDM license agreement with Qualcomm,
23 the licensee obtains a world-wide nonexclusive license to the entire portfolio. (Lupin Supp. Decl., ¶¶ 6-
24 7.) Qualcomm contends that these agreements also reflect Qualcomm's preeminence and significant
25 patent holdings and are irrelevant to Wi-LAN's hypothetical negotiation for a license to its '222 patent.

26 Other than the assertion that the Qualcomm licenses are comparable because they involve
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⁹Supplemental Declaration of Louis M. Lupin ("Lupin Supp. Decl."), Doc. 21-3 at ¶ 2.

1 OFDM technology, Wi-LAN has not demonstrated how the Qualcomm OFDM portfolio licenses
2 involving different standards for a different technology are relevant to Wi-LAN's royalty analysis in the
3 Texas Action. Nor has Wi-LAN demonstrated how Qualcomm's licensing rates under the 802.16
4 standard are relevant to Wi-LAN's compliance with its RAND obligations under the 802.11 standard.

5 The number of Qualcomm OFDM licenses and sublicenses implicated in the production of
6 documents responsive to Wi-LAN's subpoena is substantially less than the CDMA-related document
7 request. The confidentiality concerns, however, are the same. Having balanced the probative value of
8 the information sought against Qualcomm's confidentiality interests, Wi-LAN's motion to compel is
9 **DENIED** and Qualcomm's motion to quash is **GRANTED**.

10 This order does not in any way prohibit Wi-LAN from using any information publicly available
11 about Qualcomm's licensing agreements or practices.

12 **C. Qualcomm's Motion for a Protective Order**

13 In conjunction with its motion to quash, Qualcomm seeks a protective order barring all
14 additional discovery efforts directed at Qualcomm's licenses or licensing practices. Qualcomm's
15 motion to quash the subpoena at issue has been granted. Qualcomm's motion for a protective order as to
16 future discovery is **DENIED**. As to any additional discovery directed at Qualcomm's licenses and
17 licensing practices, the party or attorney responsible for issuing and serving a subpoena must take
18 reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena. The
19 court must enforce this duty and impose an appropriate sanction, which may include reasonable
20 attorney's fees, on a party or attorney who fails to comply. FED. R. CIV. P. 45(c)(1). Any future
21 subpoenas served by Wi-LAN regarding Qualcomm's licenses or licensing practices will be reviewed
22 with reference to this order and sanctions will be considered if appropriate.

23 **IT IS SO ORDERED.**

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25 DATED: July 28, 2010

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28 **CATHY ANN BENCIVENGO**
United States Magistrate Judge